

causal iQ

embrace connected tv now to gain competitive advantage

July 2018

FORRESTER®

A commissioned study conducted by
Forrester Consulting on behalf of Causal IQ



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overview

A tidal wave of change in the TV and video landscape has forced B2C advertisers to rethink their video advertising strategies. Consumers are still hungry for the captivating stories that spurred the success of the linear TV industry for decades, but their time and attention are now fractured across a wide range of devices and platforms. Brands are reacting by bolting on new media channels, like connected TV, in an effort to stay relevant and capture mindshare. Maximizing return on advertising spend in this evolving market requires a strategic, omnichannel approach.

Methodology

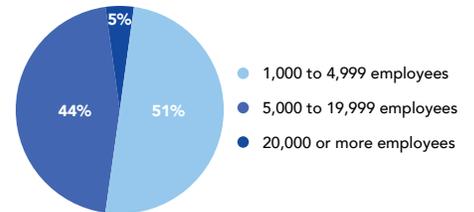
In June 2018, Causal IQ commissioned Forrester Consulting to conduct a study evaluating the challenges and opportunities in connected TV advertising. Forrester conducted an online survey of 100 B2C marketing and advertising professionals with responsibility for digital video and/or TV advertising at US enterprises. Survey participants responded to questions about their company's use of connected TV advertising, including over-the-top (OTT) subscription services.

To be considered for participation, respondents needed to work for companies with 1,000 or more employees that are already using connected TV advertising and are in the retail, entertainment, healthcare, financial services, consumer packaged goods, travel and hospitality, automotive, or politics and advocacy industries.

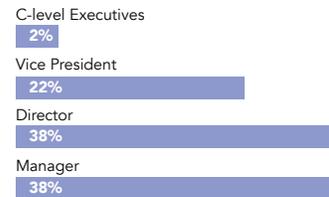
Industry



Company size



Respondent level



Base: 100 digital advertising decision makers at B2C enterprises that use connected TV or OTT advertising
Source: A commissioned study conducted by Forrester Consulting on behalf of Causal IQ, July 2018

connected tv is a massive advertising opportunity that is currently underpenetrated and undeserved

TV advertising is at an inflection point as brands work to grow mindshare amid an increasingly fragmented media landscape. Many consumers have moved away from linear TV to pursue digital, on-demand, cross-device alternatives, forcing B2C marketers to pursue new advertising channels without necessarily abandoning linear TV altogether.

Connected TV (CTV) has emerged as an increasingly important priority for reaching consumers where they are spending their time. For the purposes of this study, we defined “connected TV advertising” as a combined category encompassing over-the-top subscription services (e.g., Hulu, TV network apps/sites) and connected TV services (e.g., Roku, Apple TV, Amazon Fire TV). In exploring the state of connected TV advertising with B2C marketers at US enterprises, we found that:

1. Consumers are flocking to linear TV alternatives

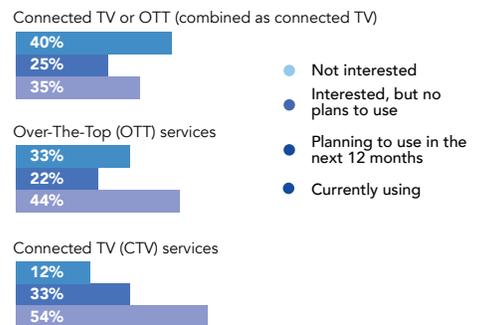
After much anticipation over the past few years, the prevalence of so-called “cord cutters” is hitting a tipping point. The proportion of US adults who have discontinued their use of paid TV services to watch TV online doubled from 2013 to 2016, from 3% to 6%. Just one year later it doubled again, from 6% to 12%. An additional 11% of US adults are likely to cut the cord in the next six months.¹ Cord cutting is especially prevalent among 18- to 34-year-olds: 15% have already cut the cord and 15% more are likely to do so in six months.¹

Forrester Data also confirms that consumers have steadily increased the amount of time they spend watching videos online and through video apps, like TV Everywhere services and virtual TV providers (e.g., Sling TV, PlayStation Vue). In turn, brands are increasing their ad spending in these digital channels.²

2. Advertisers aren’t keeping up with consumers

Despite momentum from cord-cutting consumers, only 40% of the enterprises we surveyed have entered the connected TV advertising space. Despite its slow start, CTV advertising adoption is poised to grow quickly with B2C marketers unanimously interested in pursuing this channel and 25% planning to buy CTV ads in the next 12 months. Within the broader connected TV category, OTT is more prevalent as an existing channel, while CTV services are identified as a future growth area for digital marketers’ media plans.

Current adoption of connected TV advertising



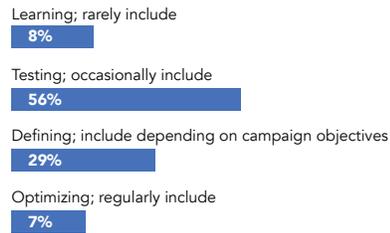
Base: 252 digital advertising decision makers at B2C enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Causal IQ, July 2018

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3. Most advertisers using CTV are in testing mode

Fifty-six percent reported that they are currently testing connected TV advertising, occasionally including it in their video advertising plans while only 7% consider themselves to be in the optimizing phase where they regularly include connected TV in their plans. Most of the remaining users (29%) have moved one step up the maturity curve to “defining” their use of connected TV, including it in their video plans when it aligns with specific campaign objectives. Only 8% felt that their companies are on the lowest end of the maturity curve (learning).

“How would you describe how your company currently includes connected TV advertising in its video advertising plans?”*



Base: 100 digital advertising decision makers at B2C enterprises that use connected TV or OTT advertising
Source: A commissioned study conducted by Forrester Consulting on behalf of Causal IQ, July 2018

organizational, planning, and measurement questions hinder connected tv adoption

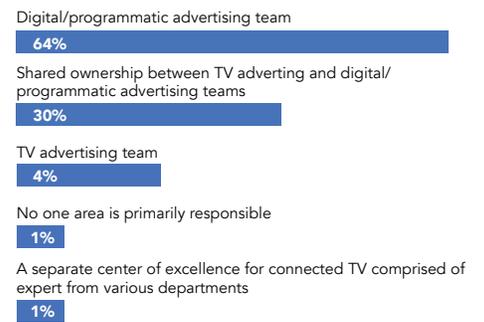
Marketers recognize the branding benefits of connected TV advertising, but they don't know how to categorize or manage it

Connected TV advertising is uncharted territory for many brands. Most current users are still in the testing phase. Meanwhile, those who have not yet taken the plunge into CTV ad buying cite lack of familiarity as the biggest barrier to adoption. Many also cite cost concerns, a perception that can be further compounded by a lack of familiarity.

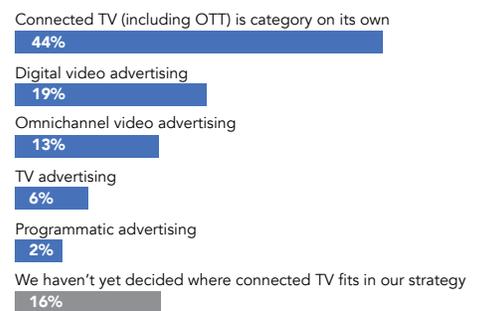
Why the confusion? Connected TV advertising has elements of both traditional television and digital video, so marketers aren't entirely sure how to plan and execute it most effectively. We explored current approaches and challenges among connected TV advertising users and found that:

Top-funnel marketing objectives, like building brand awareness and reaching consumers in-market, are driving investments in connected TV advertising. However, most marketers have not yet incorporated connected TV into their video advertising strategies. CTV's unique characteristics lead 44% of marketers to treat it as its own category and leave a further 16% still deciding how to categorize CTV. Yet most companies (64%) give primary ownership of CTV to their digital advertising teams rather than taking a cross-functional approach, resulting in a missed opportunity to blend traditional TV experience with digital knowledge.

"Which department or team at your company has primary ownership of connected TV advertising?"



"Where in your advertising strategy does your company consider connected TV to be most relevant?"



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Technical and logistical challenges become roadblocks

CTV encompasses a wide range of viewing options for consumers, so marketers need to navigate the technical and logistical hurdles of serving ads on multiple platforms and devices. This was the biggest challenge identified in our survey: 58% of marketers felt it prevents their company from planning CTV advertising more effectively.

Targeting and measurement questions perpetuate these issues

Marketers are entering the CTV advertising market with a lot of data uncertainties. Audience targeting options for connected TV offer greater precision than linear TV, but less than what is available in other digital advertising channels. In addition, 43% find it difficult to measure performance in this unique channel, reflecting a lack of familiarity with this nascent market. Lacking a standard like Nielsen ratings that dominate linear TV, data reliability concerns are also common.

As a result, most marketers overlook factors that can weaken the customer experience

With few advertisers relative to the high consumption of CTV, consumers are often presented with the same ad again and again over the course of an episode or two. In the best case, this accelerates creative wear-out, while in the worst case it can have lasting negative effects on brand equity. However, marketers seem to be in the dark about this issue: Only 24% believe that their audiences are overexposed to their ads and just 18% are measuring unduplicated reach of their targeted audience.

brands look to partners to help embed connected tv into their omnichannel video strategies

Despite challenges and growing pains, the future of connected TV is bright. Nine in ten B2C marketers (89%) see CTV playing a key role in their omnichannel advertising strategy over the next two to three years. A similar proportion (87%) believe connected TV will improve their ability to target specific audiences.

Investments in connected TV will continue to rise as brands vie for mindshare among a growing audience of cord cutters and consumers who are diverting their time and attention to linear TV alternatives. **In fact, 84% of companies believe they need to significantly increase their investments in CTV.**

“What extent do you agree with the following statements about the future role of connected TV in your company’s advertising strategy?”

We see connected TV playing a key role in our omnichannel advertising strategy over the next two to three years



Connected TV will improve our ability to reach very specific audiences



We need to significantly increase our connected TV investments to reach consumers where they are spending their time



Base: 100 US digital advertising decision makers at B2C enterprises that use connected TV or OTT advertising
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Companies that have not yet established their CTV advertising strategies need to move fast to keep up with evolving consumers. However, they can benefit from the lessons learned by early adopters, and those willing to learn the new skills required will gain an advantage over slower-moving brands. The marketers in our survey who have made strides toward defining and optimizing their CTV advertising strategies offered the following recommendations:

1. Define a clear role for connected TV in your overall video advertising strategy

CTV represents a unique opportunity to bridge the gap between traditional TV and programmatic advertising, but marketers who plan and execute it in isolation will miss this opportunity. Early adopters emphasize the importance of defining a clear role for CTV in context of their entire marketing mix before rushing into execution.

2. Select the right partner to execute this strategy

CTV is different than both online video and traditional TV, so finding a knowledgeable partner to help navigate the intricacies of connected TV advertising is critical. Probe your agency’s understanding of these differences and press them on how they have adapted their processes to optimize this channel. If you aren’t convinced by their answers, seek a more knowledgeable partner.

3. Get smart on data and measurement best practices

Data was the theme of the third-and fourth-ranked best practices in our survey. Early adopters recommend improving data skills and practices to optimize audience targeting. They also recommend leveraging audience data in-market through monitoring and enforcing frequency capping, creative rotation, and ad separation to ensure that consumers are not overexposed to ads.

1. Forrester Data Consumer Technographics North American Technology, Media, and Telecom Recontact Surveys 1 and 2, from 2013 to 2017.
2. Forrester Analytics: "Video Advertising Forecast, 2018 to 2023 (US)," Forrester Research, Inc., August 6, 2018.

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